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MEMBERSHIP RELATIONS OF COOPERATIVE ASSOCIATIONS[1]

(FLUID MILK)

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INTRODUCTION

In the development of successful cooperative marketing associations, the problems arising from the relationship which exists between the members and the management of a cooperative are among the most difficult to solve. The volume and quality of products handled by a cooperative are dependent to a large extent upon the loyalty and cooperation of its members. Through their directors, members select the management. Management must therefore reflect, in part at least, the will of the membership. The management will be handicapped, however, if this will is based on limited understanding of marketing principles and problems, and of the possibilities and limitations of cooperative effort. Policies may be adopted with a view to what is apparently expedient for purposes of membership morale but at variance with better business methods and economic organization essential to permanent solution of the marketing problem.

Organization of cooperative milk-marketing associations received great impetus in 1916. A rising price level which greatly increased production costs was faced by farmers, together with the resistance of milk distributors in the cities to increasing the price paid for milk in keeping with the increased cost of production. One of the chief causes was probably the fact that retail milk prices had remained fairly constant over a period of years and thus the distributors were reflecting a real or fancied similar resistance to increase on the part of consumers. Numerous "milk strikes" occurred in producing

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territory around the larger cities during 1916 and 1917. The united effort resulting from this common interest took permanent form in cooperative marketing associations designed for collective bargaining between the distributors and representatives of the producers.

In some markets the right of collective bargaining was denied the producers on the grounds that it was illegal and in violation of anti-trust legislation. Prosecutions against officers of cooperative-marketing associations engaged in collective bargaining were instituted in some cities during 1917, as is shown by the court records of Cuyahoga County, Ohio. The passage of the Capper-Volstead Act in 1922 gave expressed legal sanction to collective-bargaining associations for agricultural producers and thus removed any doubts as to their legality.

In some markets simple collective-bargaining associations were found to be inadequate to meet the problems of the marketing situation. This was often the situation when distributors' and producers' organizations were unable to agree on the disposition of seasonal or permanent surpluses above the needs of the fluid-milk market. Surplus fluid milk is usually converted into butter or other dairy products that sell for a lower price than fluid milk. In cases of disagreement between the distributors' and the producers' organizations regarding the price that should be paid for surplus, some organizations set up producer-owned facilities for handling the surplus. Some others set up producer-owned distributing agencies which retailed milk to the consumer and converted surplus milk into other products.

The production of fluid milk in all milk sheds varies during the year. The highest production is usually attained during May or early June and the lowest production during the late summer or the fall months, depending on the production practices and pasture conditions. The milk shed is of necessity extended sufficiently to provide an adequate supply of milk to meet the needs of the market during the period of lowest production. During the period of high production there is, therefore, a surplus.

Unless some method is employed for equalizing prices to all producers, except for differentials for quality and freight, a scramble for fluid-milk outlets often ensues during surplus periods which demoralizes the market for both producers and distributors. Or some producers may be shut off from the fluid-milk market temporarily because, for a short period, there is more milk than the market needs.

Price classification according to the use which is made of the milk prevails in the four milk sheds and markets studied. This price classification assumes a pooling of returns secured for the different classes of milk, either by the dealers allotting to each producer an equitable portion of each class of milk, or by the organizations pooling the proceeds of all milk sold by the organization and paying each producer the same price for all milk except for freight and quality differentials. Some producers located near consuming centers and accustomed to selling all their product as fluid milk have opposed pooling because they felt that they had a vested right to the fluid-milk market, but with the development of good roads and better transportation facilities the economic unity of milk sheds is coming to be realized and understood.

NATURE AND SCOPE OF THE STUDY

To assist officers and managers of cooperative associations in solving their problems of membership relations, the Division of Cooperative Marketing has undertaken a series of studies, each of which was intended to include members belonging to a single commodity group or to closely related groups. The purpose of each of these studies is to find out the attitude of farmers toward the cooperative association operating in that region, to discover their appreciation of the services rendered by the cooperative, their reasons for having or not having membership in the cooperative, the causes of any dissatisfaction they may have with their organization, their understanding of economic principles underlying prices and marketing, and the methods used by the associations to lead the thinking of producers in their respective areas.

The important factors in membership relations are what the producers think are the facts regarding their association and their understanding of the marketing problems. The logical point of attack in building membership morale would seem to be the incorrect ideas now held by producers in the respective areas. If producers, members and nonmembers, do not think correctly regarding the associations this thinking may be changed by additional information, properly interpreted. In building opinions and understanding, the organizations should be careful that the long-time viewpoint is kept in mind and that all statements issued by the organization are able to stand the test of time.

Producers must be brought to understand what marketing really is and the different functions it performs before they can have an appreciation of marketing principles and problems. Then they can more easily be brought to an understanding of the legitimate aims of cooperative effort and its possibilities and limitations in the better performance of marketing functions.

For this study the areas of four cooperative milk-marketing associations were selected, each different in form of organization and in the variety of marketing services performed by the organization. Each had been, at one time, a simple bargaining organization. Three of them have evolved into organizations for performing further marketing services, and for the purpose of obtaining capital necessary to provide equipment for these marketing services, are now making deductions from the monthly milk checks to members. In return for these deductions the organization issues to the producers annually certificates of indebtedness, due in five years, and bearing interest at the legal rate. Three of the associations make collections for milk sold and then pool the proceeds, paying all producers the same price except for quality and transportation differentials. One association performs all the marketing services between the producer and the consumer. For the purpose of lessening the seasonal variation of supply in their milk sheds, two bargaining associations have adopted methods of classifying surplus that result in a premium to the producer whose production is fairly constant. Each producer in these two associations is given a basic rating based on his actual production during a three-month period, or on his estimated annual production, and these basic ratings are used in apportioning his share in the fluid-milk sales.

Data were obtained during the first six months of 1927 through the cooperation of these four associations and through personal interviews with producers in the territory served by these associations. The number of active participating members of the organizations studied ranged from about 3,000 to 45,000, distributed over the milk shed of the market served. The two larger associations had smaller markets located within the bounds of the metropolitan milk shed. All of the associations use contracts with members; three associations give, once each year, the privilege of withdrawal. The other association is now using a five-year contract without withdrawal privilege.

A questionnaire was used in interviewing producers, and the answers to questions were written down by the interviewer. The producer was assured that the identity of the producer represented by the questionnaire would not be revealed. Many of the questions were used in the regions of all four milk sheds, but some of the questions were applicable only to local conditions. The questionnaires were assembled and tabulated, and the data thus obtained were used as the basis of this study. Information that seemed of only local interest was made available to the organizations and is not included in this circular. For convenience the organizations are referred to as associations 1, 2, 3, and 4.

DATA OBTAINED FROM MEMBERS OF COOPERATIVE ASSOCIATIONS

MEMBERS' EXPECTATIONS REGARDING THEIR ORGANIZATION

Achievements which farmers expect of a cooperative differ according to the elements of dissatisfaction which caused the formation of the organization. Some of the causes of dissatisfaction may have been almost forgotten since the organizations were formed under the first plan of operation, and others may have recently been called to mind by the publicity agencies of the organization. Replies to the question, "What did you expect your cooperative organization to accomplish?" are to be found in Table 1.

The answers to this question show that the most common expectation was better prices, but that improvement in marketing conditions was also an important consideration in the minds of many members. The net result of better marketing conditions should be better prices or marketing services that better meet the personal needs and wishes of producers. The answer "Better marketing conditions" includes such services as providing an assured market throughout the year, certainty of payment, and more confidence in the fairness of weighing and testing milk. A few mentioned specifically "accurate tests and weights," as is shown in Table 1. The predominance of better prices as an expectation is natural because of the conditions under which the organizations came into existence and because the primary purpose of cooperative business organization among producers is to make production more profitable for the members of the organization.

TABLE 1.—*Replies to questions as to members' expectations regarding their association*

Question and reply	Members reporting				
	Association—				Tota
	1	2	3	4	
What did you expect your cooperative organization to accomplish?	*Number*	*Number*	*Number*	*Number*	*Number*
Better prices	78	236	79	109	502
Better marketing conditions	18	128	41	45	232
Accurate tests and weights	7	3	1	6	17
Stabilization of market	37				37
Protection of farmers' interests			42		42
No answer	27	38	27	19	111
Total	167	405	190	179	941
Do you believe that your cooperative organization has accomplished what you expected of it?					
Yes	103	245	84	113	545
No	25	25	36	21	107
Partly	18	100	34	24	176
No answer	21	35	36	21	113
Total	167	405	190	179	941
If not, why not? [1]					
Do not know	8		10		18
Surplus in summer	5		2		7
Not enough control			1		1
Opposition		16		9	25
Overhead expense	5			9	14
Too few members	1	66			67
Officers' fault		10			10
Political reasons	5				5
Total	24	92	13	18	147

[1] Only 147 of the 283 members answering "No" or "Partly" gave answers to the question "Why has it failed to realize your expectations?"

Table 1 shows also that most of the members believe their expectations of the organization have been realized, at least in part. Those whose expectations had not been realized gave the reasons indicated. To the question, "Do you believe that your cooperative organization has accomplished what you expected of it?", practically one-fourth of the members of association 2 answered "Partly." A large portion of these believe that the association is carrying an undue share of the market's seasonal surplus and that a larger membership would better care for and distribute the surplus as well as prevent price cutting among some of the smaller dealers.

SOME CAUSES OF MEMBERS' DISSATISFACTION

For the purpose of finding out some of the causes of dissatisfaction with the associations, members of all four associations were asked, "What, if anything, is your criticism of the organization?" and "What mistakes do you think the association has made?" The replies given are shown in Table 2.

TABLE 2.—*Replies to questions as to the causes of dissatisfaction among members of associations*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
What, if anything, is your criticism of the organization?	*Number*	*Number*	*Number*	*Number*	*Number*
Have none	97	277	51	118	543
Do not like surplus	13		3		16
Officers in with dealers	29				29
Salaries too high	3	11		9	23
Tests and weights	4		7	2	13
Prices too low		5	12	6	23
Deductions		9	21	6	36
Laxness in enforcing contract	5				5
Overhead expense		28		9	37
Opposition				9	9
Lack of information			13		13
Outsiders		5			5
New payment plan			12		12
No answer	16	70	71	20	177
Total	167	405	190	179	941
What mistakes do you think the association has made?					
None	78	157	35	81	351
Do not know	28	102	75	56	261
Officers in with dealers	10	9			19
Price changes	12			6	18
1925 basic [1]	5				5
Basic surplus [1]	7				7
Buying plants and equipment [1]		29	10	21	60
Too many employed		21			21
Salaries too high		15			15
Not enough members in beginning		9			9
New payment plan			17		17
Deductions			30		30
Pool price		4	1		5
Other answers		21			21
No answer	27	38	22	15	102
Total	167	405	190	179	941

[1] See p. 3.

Some objections listed as mistakes were reported by other members as criticisms. Many of both "mistakes" and "criticisms" plainly represent the personal reaction of individual producers to association policies. One example of attitudes carried over from the early days of the association is found in the answer, "Officers in with dealers." The "milk wars" and the stiff resistance of the dealers to price increases, during the early years of the organizations, left in the minds of some producers the feeling that the organizations were formed for purposes of compulsion. Probably similar reactions were aroused in the minds of some of the dealers at the same time.

Fortunately the better understanding of the functions and services of the cooperatives in recent years, on the part of both management and dealers, has brought about cooperation between them. A similar understanding on the part of all the members will probably bring about a changed attitude as to the relations that should prevail between an organization and its customers.

Three of the associations had a few members each who were inclined to criticize their organization for prevailing low prices. Each of the organizations that had acquired plants had a few members who said that this acquisition was a mistake. A few others in these

three associations criticized the deductions necessary for operating purposes and for fixed capital. It should be of interest to these associations to know whether these criticisms come from members who have kept in touch with the management and are well informed or whether the criticisms are due to lack of knowledge and are based on assumption.

From the answers to the question, "Are you satisfied with the officers of the association?" one would conclude that the officers are giving satisfaction to most of the members. Members of associations 2, 3, and 4 were asked "Do you believe that the association is efficiently managed?" Replies to this question, shown in Table 3, indicate that some of those who said they were satisfied with the officers were not convinced of the efficiency of the management. Many said the association was efficiently managed so far as they knew, and some added that members were really not in position to judge of the efficiency of the management.

MEMBERS' APPRECIATION OF ASSOCIATIONS' SERVICES

For the purpose of finding out the opinions of members regarding advantages of membership in the organization, each member was asked, "What advantages have you that nonmembers do not have?" and "What advantages, if any, have nonmembers which you do not have?" The replies are shown in Table 4.

TABLE 3.—*Replies to questions regarding members' estimates of the management of their association*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
Are you satisfied with the officers of the association?	*Number*	*Number*	*Number*	*Number*	*Number*
Yes	143	371	122	156	792
No	9	24	29	9	71
Do not know	9				9
Partly			22		22
No answer	6	10	17	14	47
Total	167	405	190	179	941
Do you believe that the association is efficiently managed?[1]					
Yes		322	102	123	547
No		22	48	41	111
Can be improved		12			12
Do not know			37	7	44
No answer		49	3	8	60
Total		405	190	179	774

[1] Members of association 1 were not asked this question.

TABLE 4.—*Replies to questions as to members' appreciation of associations' services*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
What advantages have you that nonmembers do not have?	*Number*	*Number*	*Number*	*Number*	*Number*
None	102	64	80	35	281
Sure market	23	207	17	39	286
Protection weights and tests	24	9		37	70
Convenience in trouble	6		16		22
Better price	3	26		19	48
Personal satisfaction		31		17	48
Sure pay		47	40		87
Do not know		7	27	22	56
No answer	9	14	10	10	43
Total	167	405	190	179	941
What advantages, if any, have nonmembers which you do not have?					
None	123	186	33	99	441
Can do as they please	8	35	20	10	73
Get more money	6	113	64	24	207
No expenses or dues	27	25	37	17	106
Same advantages we have without expenses	2	5	12	10	29
Paid twice a month			2	9	11
Do not know	1	8	22	10	41
Less rigid inspection		10			10
No answer		23			23
Total	167	405	190	179	941
What do you think would happen if the association should go out of existence?					
Lower prices	26	352	86	99	563
Bad marketing conditions	90			33	123
No effect	20	23	37	5	85
I would quit too			15	19	34
Better off without	5				5
Do not know	21	19	37		77
No answer	5	11	15	23	54
Total	167	405	190	179	941

These replies indicate that many members in each association feel that membership itself is of no particular benefit. A large proportion of the members of association 1 felt that nonmembers had no advantage either, and a considerable number in the other three associations credited nonmembers with more advantages than members had. These three associations probably are carrying an undue or an unfair proportion of the seasonal surplus resulting in some advantage to nonmembers who do not share in the burden of surplus, but receive the benefits of a market improved by the association's method of handling the surplus. A dependable market and sure pay for all milk sold is the advantage most frequently mentioned by members of associations 2, 3, and 4. The checking of weights and tests by the association was mentioned rather frequently by members of association 1. The personal satisfaction derived from supporting an effort to improve the marketing system was expressed by some members of associations 2 and 4.

Getting more money for milk—because they do not share the burden of surplus—and having no share in the expense of maintaining the associations were mentioned as nonmembers' advantages. Those answering, "Can do as they please," express a similar idea, implying that the nonmember can take personal advantage of temporary

market situations that would favor only a few producers. However, most of the members of all the associations believe that the associations are beneficial agencies. This is revealed in the replies to the question "What do you think would happen if the association should go out of existence?" as shown in Table 4.

These replies show that a large proportion of the members believe that the association is really a means of getting better prices or of improving marketing conditions. It will be noted that there is a decided difference in the emphasis placed on price by the members of different associations. This would seem to indicate that members of some associations value improvements in marketing conditions and services more than do members of other associations.

MEMBERS' OPINIONS REGARDING MILK PRICES

Members of each of the four associations were asked, "What should govern the price of milk?" The replies to this question are shown in Table 5. The cost-of-production concept seems to prevail in associations 3 and 4.

TABLE 5.—*Replies to questions as to opinions regarding milk prices*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
What should govern the price of milk?	*Number*	*Number*	*Number*	*Number*	*Number*
Cost of production	44	124	80	78	326
Supply and demand	89	199	76	72	436
Quality control	12		10		22
Farmers or association	10		4		14
Supply and demand and quality		23			23
Do not know	8	51	20	27	106
No answer	4	8		2	14
Total	167	405	190	179	941
Do you believe the association could get a higher price for milk if it controlled more of the supply?					
Yes	33	327	88	103	551
No	100	35	59	36	230
Do not know	27	39	41	24	131
No answer	7	4	2	16	29
Total	167	405	190	179	941
What in your opinion should be the average price per hundredweight returned to the producers for their milk? [1]					
Do not know			80		80
Under $3			11		11
$3 to $3.50			64		64
Over $3.50			7		7
No answer			28		28
Total			190		190
What do you consider is your cost of production per hundredweight? [1]					
Do not know			34		34
Under $2.50			4		4
$2.50 to $3			14		14
Over $3			2		2
No answer			136		136
Total			190		190

[1] This question was not asked members of associations 1, 2, and 4.

Members of associations 2, 3, and 4 were asked, "Do you believe the association could get a higher price for milk if it controlled a larger portion of the supply?" Table 5 shows the replies to this question. Those answering "No," except in association 2, felt that the association was already getting a price high enough to insure production of the necessary supply, and that a higher price would bring increased production which would, in turn, necessitate a lower price. In association 2, many members who answered "Yes." stated that an increased price to producers would result from economies in handling and processing and from better control of surplus which would tend toward market stabilization and a narrower spread between farm prices and retail prices.

Members of association 3 were asked, "What in your opinion should be the average price per hundredweight returned to the producers (for this market) for their milk?" and "What do you consider is your cost of production per hundredweight?" The replies are shown in Table 5. These answers indicate that most of the members have little idea of what they should get for milk and still less idea of what it costs them to produce milk; also that some members produce milk at a cost that is $1 per hundredweight less than the cost incurred by some other members.

Association 1 has used for several years an adjusted-production plan of payment for milk, and association 3 has recently put such a payment plan into operation. Members of all four associations were asked if they favored a plan designed to furnish an economic motive for uniform production throughout the season. The replies are shown in Table 6.

All of these associations sell milk by classes according to the use to which the milk is applied. Before the existence of the associations, dealers bought milk at a flat price determined by themselves on the basis of use. To determine whether the members were favorably inclined toward price classifications, they were asked, "Do you believe in selling milk on a classified-price plan (that is, by classes according to use)?" The replies to this question (Table 6) would indicate that members of associations 1 and 2 are satisfied with this method. Members of associations 3 and 4 do not think so well of it, probably, in some cases in association 3, because of misunderstanding of what is meant by classification.

MEMBERS' OPINIONS AS TO MARKETING SERVICES OF THE ASSOCIATIONS

Some writers and speakers have advocated that farmers should own and control more of the marketing machinery with the view of following the product nearer to the ultimate consumer. To discover what members thought about the retailing of milk by the associations, members were asked, "Do you think that the association should retail milk?" The opinions given are shown in Table 7.

Those associations that are retailing milk have apparently convinced many that this is a sound practice. A considerable portion of the members, however, even in associations that are engaged in retailing, felt uncertain about the matter, or felt that they were incompetent to express an opinion.

TABLE 6.—*Replies to questions as to price plans*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
Do you favor regulating the supply to fit the demand by premiums on even production?	*Number*	*Number*	*Number*	*Number*	*Number*
Yes	152	264	73	24	513
No	9	97	98	138	342
Do not know	6	38	6		50
No answer		6	13	17	36
Total	167	405	190	179	941
Do you believe in selling milk on a classified price plan?					
Yes	133	340	99	75	647
No	30	41	61	91	223
Do not know	4	19	27	11	61
No answer		5	3	2	10
Total	167	405	190	179	941

TABLE 7.—*Replies to question, "Do you think that the association should retail milk?"*

Reply	Members reporting				
	Association—				
	1	2		3	4
		Main market	Smaller market		
	Number	*Number*	*Number*	*Number*	*Number*
Yes	27	125	133	60	97
No	111	156	94	66	5
Do not know	29	115	152	60	57
No answer		9	26	4	20
Total	167	405	405	190	179

The reasons for opinions on the advisability of retailing milk indicate that some members of these associations believe that retailing by the producers' organizations would get members more money for milk by returning to producers the profits now made by distributors. In two of the associations a large proportion of the members believe, however, that distributing milk is a highly specialized business which had better be left to the dealers so long as satisfactory relations between distributors and the organization continue.

SOURCES OF INFORMATION

In associations that cover a large area, the problem of keeping the membership in touch with the management and informed regarding policies of the organization is a difficult one. Several questions were asked, designed to reveal the members' information of and contact with their organization. Associations 3 and 4 hold district or advisory council meetings at least twice a year, and all of the asso-

ciations hold annual meetings. Members were asked, "Have you ever attended an annual or district meeting of the association?" Replies to this question are shown in Table 8.

TABLE 8.—*Replies to questions regarding members' attendance at meetings*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
Have you ever attended an annual or district meeting of the association?	*Number*	*Number*	*Number*	*Number*	*Number*
Yes	40	85	37	102	264
No	127	316	153	75	671
No answer	-------	4	-------	2	6
Total	167	405	190	179	941
How many meetings of locals did you attend last year? [1]					
None	-------	80	22	65	167
All	-------	108	33	32	173
Half	-------	65	19	55	139
Less than half	-------	-------	-------	23	23
No answer	-------	-------	116	4	120
Total	-------	253	190	[2] 179	622
If you were absent, what was the reason? [3]					
Neglect	20	-------	7	21	48
Inconvenient	27	-------	37	61	125
Not interested	17	-------	27	-------	44
Meetings not regular or lack of notice	10	-------	-------	8	18
No answer	93	-------	119	89	301
Total	167	-------	190	179	536
Did you attend the last local meeting (or do you attend regularly)?					
Yes	69	179	85	102	435
No	64	223	101	77	465
Occasionally	33	-------	-------	-------	33
No answer	1	3	4	-------	8
Total	167	405	190	179	941

[1] Members of association 1 were not asked this question.
[2] Many members of association 4 were unable to say how many meetings had been held during the last year and therefore what proportion they had attended.
[3] Members of association 2 were not asked this question.

As other sources of information are available to members, questions relating to them were included. Replies to the question, "From what source do you get most information about the association?" are shown in Table 9. Three of the associations publish a house organ which is mailed to the members, and association 3 sends out a mimeographed letter each month. For purposes of tabulation the mimeographed letter was listed under the heading "organization paper." It will be seen that house organs and mimeographed material are given first place as a source of information in three of the associations, whereas "locals" are given first place by members of the other association. To find out whether members thought they were getting the information they should have, they were asked, "Do you feel that you are kept as we l informed on policies and details of the association as you should be?" and "If not, whose fault is it?" The replies to these questions indicate that most of the members feel that they are kept reasonably well informed, although a considerable number in two associations feel otherwise.

TABLE 9.—*Replies to questions regarding members' sources of information*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
From what source do you get most information about the association?	*Number*	*Number*	*Number*	*Number*	*Number*
Locals	17	66	67	78	228
Organization paper	104	286	100	66	556
Directors or officers	22	27	5	22	76
Neighbors	9	-------	-------	11	20
Personal observation	3	-------	4	-------	7
No answer	12	26	14	2	54
Total	167	405	190	179	941
Do you feel that you are kept informed? [1]					
Yes	-------	284	96	136	516
No	-------	96	58	26	180
Do not know	-------	16	32	13	61
No answer	-------	9	4	4	17
Total	-------	405	190	179	774
If not, whose fault is it? [1,2]					
Association	-------	41	6	17	64
His own	-------	53	52	8	113
No answer	-------	2	-------	1	3
Total	-------	96	58	26	180

[1] Members of association 1 were not asked this question.
[2] This question was asked of those who replied "No" to the preceding question.

The larger number of those who said that they were not kept informed admitted that the fault was their own, that they did not take advantage of the means provided by the associations for keeping them informed.

Sixty-five of the ninety-six answering "No" in association 2 said that they had not attended the last meeting of their local, and 18 of these 65 said that it was the association's fault that they were not kept informed. Twenty-seven of fifty-eight in association 3 said that they had not attended the last meeting of their local, and 25 of these 27 said that it was the association's fault. Thirteen of the twenty-six in association 4 had not attended the last meeting of their local, and eight of these blamed the association.

LOCALS

All the associations studied have set up small units for the purpose of members' self-expression regarding the affairs of the associations. These local units have been designated as "locals" by all four of the associations studied. In one of the organizations the locals are incorporated and thus have a legalized existence independent of the association, but they perform no economic service in the marketing of milk. Members merely meet from one to four times a year for discussion of the affairs of the association, for the election of officers for the local, and for participating in the election of officers for the association. In the other three associations, the locals are not incorporated but were created by the association at points considered strategic for the purpose of contact with members and as a means of facilitating the expression of the will of the membership. Locals in

these three associations usually have from 1 to 12 meetings a year, at which the affairs of the association are discussed, together with other matters of community interest.

The number of members belonging to a local or attending a local at the time of the election of association officers determines how many votes the community may cast for these officials. At one or two of these local meetings each year, an officer of the association is present and discusses the affairs of the association with the members who are assembled. This provides an opportunity for members to ask questions regarding matters which have not previously been fully explained through other channels of information from the association.

Several questions regarding locals were included in the questionnaire. In answer to the questions, "Do you think locals are a good thing for the association?" and "Do you believe locals, as they are now functioning, are a satisfactory means of getting information to members?" the replies shown in Table 10 (question 3) were given.

Those who had doubts as to whether the locals were satisfactory gave as a reason the poor or indifferent attendance of the members. Attendance of members at these locals varied among communities, being good in some localities and poor in others.

Members were asked,[2] "Do you attend locals regularly?" and "Did you attend the last meeting of your local?" The replies are shown in Table 8.

TABLE 10.—*Replies to questions regarding the handling of locals*

Question and reply	Members reporting				
	Association—				Total
	1	2	3	4	
Are regular reports made by councilmen or directors at local meetings? [1]	*Number*	*Number*	*Number*	*Number*	*Number*
Yes		163	124	136	423
No		110	12	8	130
Do not know		66	41	25	132
No answer		66	13	10	89
Total		405	190	179	774
Does your local express its opinions to representative officers? [1]					
Yes		199	132	105	436
No		41	10	8	59
Do not know		71	37	23	131
No answer		94	11	43	148
Total		405	190	179	774
Are locals satisfactory in your opinion (or a good thing)?					
Yes	155	204	87	138	644
No	6	33	68	22	129
Partly	6	13	30	15	64
No answer		95	5	4	104
Total	167	405	190	179	941
What changes would you suggest in the handling of the locals? [1]					
None		264	42	96	402
Give more information		25	15	7	47
Increase attendance		26	22	4	52
New program material			9	10	19
No answer		90	102	62	254
Total		405	190	179	774

[1] Members of association 1 were not asked this question.

[2] The question was asked in this form of members of association 1.

Members of associations 3 and 4 were asked, "How many of the last eight local meetings have you attended?" and members of association 2 were asked, "How many meetings of locals did you attend last year?" Table 8 shows the proportion of meetings attended.

Members of associations 1, 3, and 4 were asked their reasons for not attending more of the meetings. The most frequent reason assigned for absence was, "Inconvenient to attend on those particular dates," that is, unusually busy or other duties.

The efficiency of the local as a means of communication between the management and the members depends on the quantity and quality of information regarding the affairs of the association that is given members at meetings of the locals. Members of associations 2, 3, and 4 were asked, "Are regular reports made at the local meetings by some one in close touch with the management; that is, by a councilman, director, or local officer?" The replies shown in Table 10 indicate that such reports are made at most local meetings.

Members of these three associations were also asked, "Does your local express its opinions to representative officers?" to find whether the members use the local as a means of expressing their will on policies or measures of the association. The replies to this question (Table 10, question 2) show that the majority of the members do give such advice.

Members of associations 2, 3, and 4 were also asked, "What changes would you suggest in the handling of the locals?" Table 10 shows the changes suggested. Only 118 of the 520 replying to this question had anything definite to suggest.

EXPENSE OF THE ASSOCIATIONS

Some members of associations 2, 3, and 4 suggested criticism of the expenses of the associations or of the deductions made by the organizations, or called such deductions a mistake. These associations have acquired property, and the ownership of this property is being allocated to the members according to the quantity of milk furnished by each producer. Deductions per hundredweight are made for expenses of the association and to make payments on the property. In return for these deductions, certificates of indebtedness are issued. These certificates are due in five years and bear interest at 6 per cent. To get some further idea of what the members thought of these deductions and certificates of indebtedness several questions relating to certificates were included. Members were asked, "Has the withholding of a portion of returns for certificates of indebtedness worked as a hardship on you?" "Do you believe deductions for expenses and certificates are higher than necessary?" "Have you ever borrowed money on your certificates—i. e., used them for collateral?" and, "For how much on the dollar would you sell your certificates?" The replies to the questions are shown in Table 11.

TABLE 11.—*Replies to questions regarding certificates of indebtedness*

Question and reply	Members reporting			
	Association—			Total
	2	3	4	
Was it a hardship for you to buy certificates?	*Number*	*Number*	*Number*	*Number*
Yes	24	49	16	89
No	350	127	135	612
At times	----	13	25	38
No answer	31	1	3	35
Total	405	190	179	774
Do you believe that the deductions are higher than necessary?				
Yes	77	83	28	188
No	246	85	141	472
Do not know	81	----	----	81
No answer	1	22	10	33
Total	405	190	179	774
Have you ever borrowed money on your certificates, that is, used them for collateral?				
Yes	12	----	5	17
No	363	186	168	717
No answer	30	4	6	40
Total	405	190	179	774
For how much on the dollar would you sell your certificates?				
98 to 100	301	105	115	521
95 to 97	39	----	4	43
Less than 94	7	11	----	18
Not for sale	29	22	48	99
No answer	29	52	12	93
Total	405	190	179	774

Only a small number said that these deductions had been a financial hardship. Many members in two of the associations said the deductions and certificates had been a real benefit because they constituted enforced saving and investment at a rate exceeding the return they were getting on their other investments. Some who had previously been members (Table 12, question 2), gave deductions as a reason for having withdrawn. From this it might be concluded that those least able to finance the association have already withdrawn or that members now have more confidence in the value of certificates issued in return for deductions.

DATA OBTAINED FROM NONMEMBERS

Perhaps no one organization has ever been perfected which enlisted the active support of every one in its field. Every cooperative association has failed so secure the support and membership of some producers. Some, of course, have a larger share of producers as members than others have. Some have nearly unanimous support in one or more sections and relatively less support in other districts. Among the associations studied, the lowest density of membership was, as a rule, in the areas nearest to the market, but in none of the associations was any large area found wherein all producers held membership in the association. This lack of unity further complicates the membership problems of the associations in that nonmembers attempt to justify their action by reasons that become propaganda against the associations.

Nonmembers who reside in the communities studied were interviewed as to their opinions regarding the associations. Questions were asked regarding their reasons for not belonging to the associations, the advantages of having or not having membership in the organizations, their opinions as to the effects the organizations had had on the market, and their ideas regarding milk marketing. In the milk shed served by association 2, groups of producers have formed other organizations and questions were included, replies to which would give their opinions of association 2 as well as of their own organizations, but this information was not included in this circular.

REASONS WHY NONMEMBERS HAVE NOT JOINED ASSOCIATIONS

Nonmembers in the territory of all four associations were questioned as to their reasons for not belonging to these associations, which were dominant factors in the markets served by them. The questions asked were, "Have you ever been solicited to become a member of the association?" "Why have you never joined?" and "What advantages have you that members do not have?" Nonmembers in territory of associations 1, 3, and 4 were also asked, "Do you think you will probably join later?" The replies to these questions are shown in Table 12.

Several reasons were assigned for not having joined these associations. Getting more money outside and the initial cost of membership in the organizations are the most frequent reasons. Several in the territory of association 2 seemed to object to the contract. The pooling feature has been strongly urged as an objection to this contract by some producers in the area. There was much discussion of this feature at the beginning of the organization, and some strong leadership was developed against it.

Opinions of members regarding their organization often influence the opinions of nonmembers. This may be especially true when members openly criticize their organization or give the impression that they are dissatisfied. For this reason nonmembers were asked, "What do your neighbors who are members seem to think of the association?" (Table 13.)

TABLE 12.—*Replies to questions as to nonmembers' reasons for not belonging to the association*

Question and reply	Nonmembers reporting				
	In territory of association—				Total
	1	2	3	4	
Have you ever been solicited to become a member of the association?	*Number*	*Number*	*Number*	*Number*	*Number*
Yes	42	178	29	47	296
No	26	101	14	16	157
No answer	-------	187	1	-------	188
Total	68	466	44	63	641
Why have you never joined?					
Have a better market	-------	20	-------	-------	20
No association plant here	-------	22	-------	-------	22
Get more money outside	-------	53	19	13	85
Object to deductions	1	41	6	[1] 20	68

[1] $20 per cow.

TABLE 12.—*Replies to questions as to nonmembers' reasons for not belonging to the association*—Continued

Question and reply	Nonmembers reporting				
	In territory of association—				Total
	1	2	3	4	
Why have you never joined—Continued.	*Number*	*Number*	*Number*	*Number*	*Number*
Object to contract		39			39
Farmers not kept informed		12			12
No benefit in membership	35				35
Sell to noncooperative dealer	4				4
Have no faith in cooperatives	6				6
Was a member but withdrew	10		10	11	31
No answer	12	279	9	19	319
Total	68	466	44	63	641
What advantages do you have that members do not have? [2]					
None		128			128
Get more money		122	13	9	144
Milk collected twice each day		2			2
No cooling required		4			4
Less rigid inspection		14			14
No deductions		35		28	63
Receive payment twice a month			1	5	6
No classified price			8		8
No answer		65	15	9	89
Total		370	37	51	458
Do you think you will probably join later? [3]					
Yes	14		4	4	22
No	27		30	38	95
May do so			9	9	18
Do not know	24			5	29
No answer	3		1	7	11
Total	68		44	63	175

[2] This question was not asked of nonmembers in territory of association 1.
[3] This question was not asked of nonmembers in territory of association 2.

TABLE 13.—*Replies to question, "What do your neighbors who are members seem to think of the association?"*

Reply	Nonmembers reporting				
	In territory of association—				Total
	1	2	3	4	
	Number	*Number*	*Number*	*Number*	*Number*
Satisfied	21	155	6	19	201
Opposed to it	14	32	19	9	74
Do not know	29		6	9	44
None are members		125	3	13	141
Indifferent		46	9	13	68
No answer	4	108	1		113
Total	68	466	44	63	641

The opinions shown here would seem to indicate that, in some communities, members are not building a good reputation for their own organization. The fact that membership is voluntary in most, if not all instances, would indicate that members believe the organization offers, in the long run, better marketing facilities than could be had without the organization. Their expressions of criticism to producers outside the organization are, therefore, not to be taken too seriously, but they may serve to limit the number of new members.

NONMEMBERS' APPRECIATION OF ASSOCIATIONS' SERVICES

Cooperative associations often make improvements in marketing conditions that benefit nonmembers as well as members. For this reason the nonmember sometimes gains the advantages of the cooperative's existence without the expense of maintaining the organization. Several questions were included in the nonmembers' schedules for the purpose of finding out how many of them believed the association had been beneficial to them. These questions were as follows: "Do you believe the organization has benefited you in any way?" and "If so, in what way?" "Do you think that the association has raised the milk price level?" "Do you think it has tended to stabilize the price paid to producers?" and "Would you like to see the association discontinued?" (Table 14.)

TABLE 14.—*Replies to questions as to whether nonmembers felt that the association had been of benefit to them*

Question and reply	Nonmembers reporting				
	In territory of association—				Total
	1	2	3	4	
Do you believe the organization has benefited you in any way?	*Number*	*Number*	*Number*	*Number*	*Number*
Yes	23	240	13	27	303
No	24	145	15	20	204
Do not know	17	75	16	16	124
No answer	4	6			10
Total	68	466	44	63	641
If so, in what way?					
Increased competition		23		12	35
Better prices	14	190	5		209
Better market	2		2		4
Takes care of surplus		15			15
No answer	7	12	6	15	40
Total	23	240	13	27	303
If not, why not?					
Sell own milk			3		3
Prices cut (or down)	6	49		10	65
Officers in with dealers	10				10
No effect	4				4
No answer	4	96	12	10	122
Total	24	145	15	20	204
Do you think that the association has raised the milk price level?					
Yes	36	288	12	23	359
No	12	93	18	24	147
Do not know	1	72	13	16	102
No answer	19	13	1		33
Total	68	466	44	63	641
Do you think it has tended to stabilize the price paid to producers? [1]					
Yes		275	14	23	312
No		59	16	14	89
Do not know		116	13	24	153
No answer		16	1	2	19
Total		466	44	63	573
Would you like to see the association discontinued?					
Yes	2	52	2	2	58
No	44	322	28	38	432
Indifferent	14	76	14	18	122
No answer	8	16		5	29
Total	68	466	44	63	641

[1] Nonmembers in territory of association 1 were not asked this question.

Many nonmembers readily admitted that the associations had benefited them. Others, on further questioning, said that the associations had raised the price of milk or had stabilized prices. This would seem to indicate that some resistance against admission of benefits from the organizations had developed in the minds of some nonmembers. This resistance may have been the result of previous efforts, in conversation or in arguments with members, to justify their nonsupport of the organization. A few nonmembers in the territory of three associations think the associations have been a positive detriment, on the theory that they have at some time reduced prices below a former level. That the associations have reduced prices is doubtless true, but that such price changes were not necessary or beneficial in the long run is not so obvious.

Changes in production costs or conditions necessitate corresponding changes in price if the interests of a milk shed are to be safeguarded. Because of the elasticity of milk production and consequent supply, the best interests of an organization of producers in a milk shed may be best served by short-time price changes in keeping with well-defined production trends.

NONMEMBERS' OPINIONS AS TO ORGANIZATIONS' POLICIES

In the territories of associations 2, 3, and 4, considerable discussion has taken place as to the advantages of pooling and the use of classified prices in the sale of milk. Questions were included to disclose nonmembers' reactions to pooling. In the cases of associations 3 and 4 nonmembers were asked, "Do you believe in selling milk on the pool plan by classes?" Selling milk by classes according to use necessitates either a dealers' pool or an organization pool.

TABLE 15.—*Replies to questions regarding nonmembers' opinions of pooling and price classification*

Question and reply	Nonmembers reporting			
	In territory of association—			Total
	2	3	4	
Do you believe in selling milk on the pool plan by classes? [1]	*Number*	*Number*	*Number*	*Number*
Yes		16	14	30
No		16	41	57
Do not know		12	2	14
No answer			4	4
Total		44	61	105
Do you believe that all producers in a territory should receive the same prices, except for quality and freight differentials? [2]				
Yes	410			410
No	45			45
No answer	11			11
Total	466			466
Do you believe in selling milk by classes according to use? [2]				
Yes	285			285
No	120			120
Do not know	58			58
No answer	3			3
Total	466			466

[1] This question in this form was not asked in the territory of association 1.
[2] This question in this form was not asked in the territory of associations 2 and 3.

In the area of association 2 so much hostility to pooling has been aroused by acrimonious discussion that in some minds pooling may have become synonymous with the dominant organization sometimes called "the pool." For this reason the question was divided into two parts for the area of association 2 and was asked as follows: "Do you believe that all producers in the territory should receive the same prices, except for quality and freight differentials?" and "Do you believe in selling milk by classes according to use?" (Table 15.) From these replies one would infer that there is more objection to price classification in the area of association 2 than there would be to pooling, probably because of the desire to have all milk sell for the price now paid for class 1 milk (that sold as fluid milk).

CONCLUSIONS

More than one-half of the members of these four cooperative associations expressed their expectations in terms of better prices and about one-fourth in terms of better marketing conditions. Of course better marketing conditions contribute to better prices, but members who think in terms of marketing conditions rather than in terms of prices alone are more likely to understand the problems and services of a cooperative association and to support it with intelligent interest.

More than one-half of the members of the associations studied believe that their organization has accomplished what they expected of it. The most frequent reason assigned by those who do not think it has, was "too few members" to dominate the market or to distribute the surplus fairly.

The most frequent cause of dissatisfaction among members was overhead expense. Objections to salaries, deductions, and overhead expense totaled more than 10 per cent of all answers to the question which was asked regarding criticism of the associations, and about the same percentage mentioned these as "mistakes."

Most of the members are satisfied with the officers of their associations and believe that the organizations are efficiently managed. About one-seventh of all members interviewed, however, believe that the organizations are not efficiently managed and some others are uncertain about it.

Nearly one-third of the members interviewed said that they had no advantages over nonmembers, and less than one-half said that nonmembers had no advantage over members. A sure market was the most frequently mentioned advantage credited to membership. These answers would seem to indicate that too many members are considering only the question of price and giving little consideration to marketing conditions and price-making factors.

Three associations show a large proportion of members who favor making an effort to adjust seasonal production to the demands of the market; nearly all of the members of association 1 favor such action. This association has had several years' experience with a plan designed to adjust production, and the replies to this question in that territory would seem to indicate that the plan is operating satisfactorily to most producers.

Publications from the office are mentioned as the chief source of information by members of three associations, whereas locals are rated first by members of the other association. Most of the members

feel that they are kept reasonably well informed, or that it is their own fault if they are not.

More than half the members think that locals are a good thing and that they operate satisfactorily as a means of giving information. Lack of attendance is suggested most often as the limiting factor in usefulness of locals, and giving inadequate information at the meetings of locals ranks next. It seems possible, therefore, that more informational programs at local meetings would increase attendance.

Most of the members interviewed in associations 2, 3, and 4 say that it was not a hardship for them to furnish capital by the purchase of certificates of indebtedness through deductions from their monthly milk checks, but nearly one-fourth said that they believed deductions are higher than necessary. It would seem to be important for the associations to ascertain whether such opinions are based on a knowledge of the needs of the organization or on personal reactions and wishes.

Nonmembers gave a variety of reasons for not having joined these organizations. The most frequent were getting more money outside the association, objection to the expense of maintaining the association, or objection to the restrictions of a contract. The principal advantages in nonmembership were said to be freedom from these objections.

About one-half of the nonmembers interviewed admit that the associations have benefited them, and further admit that they think the associations have raised the milk price level and tended to stabilize milk prices. More than two-thirds of them said they would not like to see the associations discontinued.

As in a previous study of membership relations,[3] the data presented here indicate that membership problems arise largely because members lack information and understanding of the association and its problems and of marketing in general. It would seem, therefore, that the best efforts of the associations should be directed toward correcting the inaccurate opinions held by their respective members and that, with this end in view, the first task of the associations should be to lead their members to an understanding of the marketing problems before the respective markets; to an understanding of the conditions that are the economic causes of these problems, and the economic conditions that must be brought about to solve these problems; to teach them that organization per se is no guarantee that conditions will be changed for the better unless the conditions are analyzed with a view to the organization's rendering better marketing service.

Nonmembers who admit that the associations have benefited them and that they would not like to see the associations discontinued need apparently to have aroused their sense of social obligation to help support the organizations that are benefiting them.

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[3] JONES, J. W., and JESNESS, O. B. MEMBERSHIP RELATIONS OF COOPERATIVE ASSOCIATIONS (COTTON AND TOBACCO). U. S. Dept. Agr. Dept. Circ. 407, 28 p. 1927.

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September 1, 1928

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